

**REFERENCE COSTS ADVISORY GROUP**  
**MINUTES OF MEETING ON WEDNESDAY 5 DECEMBER 2012**  
**Yorkshire Dance, 3 St Peter's Buildings, Leeds LS9 8AH**

**Present**

Sarah Butler (SJB)	Payment by Results(Chair)
Dave Allen(DA)	Information Centre
Nigel Campbell (NC)	Monitor
Yin Shi (YS)	Monitor
Karen King (KK)	Burton Hospitals NHS Foundation Trust
David Cooper (DC)	Sheffield Teaching Hospitals NHS Foundation Trust
Debbie Farrell (DF)	South Tees Hospital NHS Foundation Trust
Jason Dean (JD)	Alder Hey Children's NHS Foundation Trust
Nicola Hollins (NH)	Nottingham University Hospitals NHS Trust
Howard Davis (HD)	Capita Health
Sarah Green (SG)	Birmingham Community Healthcare NHS Trust
Vicki Woodhead (VW)	NHS Commissioning Board
Joanne Lowther (JL)	Payment by Results
David Hubbard (DHu)	Payment by Results
Simon Tither (ST)	Payment by Results
Bulwinder Singh (BS)	Payment by Results
Valerie Churches (Secretary)(VC)	Payment by Results

**Apologies**

Carolyn Wood	North West SHA
Cath Chilcott	NHS Connecting for Health
Lee Webb	Derby Hospitals NHS Foundation Trust
Sheelagh Carr	Greater Manchester West Mental Health NHS Foundation Trust
Sharon Ainley	Harrogate and District NHS Foundation Trust
Andrew Belcher	Leeds Teaching Hospitals
Helen Strain	HFMA
Stuart Burney (SBu)	North Tees & Hartlepool NHS Foundation Trust

**1. Welcome and introductions**

SJB welcomed all to the meeting and received apologies.

**2. Minutes and/or matters arising from the meeting on 19 October**

The draft minutes were agreed.

**3. Feedback on Monitor's costing publications**

NC gave a verbal update. He advised that Monitor's costing guidance would have four parts:

1. Costing principles
2. HFMA clinical costing standards
3. Reference costs guidance
4. PLICS collection guidance

It was anticipated that this would be published in late January 2013.

#### **4. Draft reference costs guidance for 2012-13 – RCAG10-03**

The group discussed paper RCAG10-03 and gave feedback on the questions raised.

##### Specialised service codes

**4.1** The group noted that specialised service codes would not be collected in 2012-13 reference costs but could be derived from Monitor's 2013 PLICS collection. JD noted that cost differentials between specialised and non-specialised care also applied in an outpatient setting.

##### MAQS templates

**4.2** DHu advised that materiality and quality scores (MAQS) templates would be collected as part of Monitor's 2013 PLICS collection and not in 2012-13 reference costs. Members expressed concerns that the MAQS template was both challenging and time consuming to complete. YS replied that the HFMA were revising and simplifying the template.

##### Cost pool data

**4.3** The draft guidance asked two questions: how likely trusts were to participate in the voluntary collection of cost pool data, and whether the collection should be for all admitted patient care HRGs or for HRGs in chapters F, H and P. The group suggested the order of these two questions should be reversed. The answers would depend to some extent on whether software suppliers would be able to provide support, but on balance the group favoured a collection of all admitted patient care HRGs. However, the group were concerned about both data burden (with cost pools being added to spells data and MAQS data in central data returns) and timing. DH would need to review the collection window. Monitor would need to consider the timing of its PLICS collection, which also included a cost pool breakdown of patient level costs.

**4.3.1** ST asked whether cost pool activity should be collected alongside unit cost, with the activity measure being the number of FCEs to which the cost pool applied. The group suggested that activity would be desirable for cost pools where the number of FCEs to which that pool applied differed significantly from the total number of FCEs (e.g. high cost drugs and devices).

**4.3.2** KK suggested that Monitor should consider which data it considers most useful for informing price setting, because some cost pools would be more difficult to provide than others. She also asked if the treatment of overheads would be clarified in the guidance. YS advised that they would.

**4.3.3** NC said that Monitor were interested in pursuing a quasi-mandatory approach in future years, where trusts that used the national cost pool groups defined by the HFMA would be obliged to supply data, and trusts that did not would be obliged to supply the cost pools that they use.

## Private patients

**4.4** DH asked if members thought they would be able to exclude costs and activity (rather than income and activity) relating to private patients? The group said that the guidance should offer only one option for treating private patients costs, and felt it would be better to exclude costs.

## Self-assessment quality checklist

**4.5** SG felt that the quality checklist was light on checks that were relevant to community services, and offered to send comments to the PbR team.

## Validations

**4.6** DH asked if members had any comments on the proposed validations of the data. The group discussed the benefit of the market share validation particularly in community services.

## Adult critical care outreach

**4.7** DH asked the group how they thought adult critical care outreach services should be reported. BS advised that the £34 million in the quantum for Adult critical care outreach was excluded from the RCIs. The group discussed and agreed that adult critical care outreach services should be an overhead.

## Exclusions

**4.8** DH asked if members had any comments on the national reference costs exclusions list. The group discussed home delivery of drugs/supplies and agreed that providers would struggle to provide good data and that more granular information, if required, should be sought through commissioning routes. KK suggested that the exclusion of intermediate care could be reconsidered. included in reference costs.

DHu advised that DH PbR anticipate publishing the draft guidance on 20 December.

## **5. Data quality and validation**

The group discussed paper RCAG10-04.

### Unit costs less than £5

**5.1** BS asked the group whether they thought unit costs less than £5 should be a mandatory or non-mandatory check, and whether there could be differing minimum unit costs set by Department, Service and Currency.

**5.1.1** The group agreed that there should be a new mandatory validation of a minimum unit cost of £20 for APC. The group agreed that non-mandatory validation flags for unit costs less the £5 for other services should continue. The group also suggested that DH PbR consider adding guidance for organisations on how to deal with costs of less than £5 within reference costs.

## Outliers

**5.2** BS asked the group to consider whether there should be a secondary validation for outliers with lower thresholds of 10 times the mean or 1/10<sup>th</sup> of the mean, and with additional thresholds of total costs higher than a certain amount.

**5.2.1** The group agreed that these additional validations should be introduced. However, DH PbR will need to be careful not to flag too many validations.

**Action: BS to bring 10 times or 1/10<sup>th</sup> of the mean validation checks for all RCAG members' final 2011-12 Reference Costs data to the next RCAG meeting.**

### Relativities

**5.3** BS explained that it is possible for HRGs with complications and comorbidities (CC) to have lower unit costs than HRGs without CC, and asked if the group thought that DH PbR should introduce non-mandatory validations to pick up any accidental misreporting. The group agreed that this is possible due to exclusions and unbundling.

**5.3.1** DA told members that the grouper had been improved in respect of CCs for this year. ST explained that the DH PbR team has made pricing adjustments to reference costs to ensure that the tariff for HRGs without CC is not higher than HRGs with CC. However, the group agreed that as these values are possible, they should not be flagged.

### Same unit costs

**5.4** BS advised that the reference costs data shows a high level of the same unit costs reported across services or HRGs.

**5.4.1** The group discussed and some members advised that they were including the costs of admitting patients in A&E and others were including them as part of admitted patient care. The group agreed that costs should be reported consistently. KK suggested that in the checklist DH PbR could ask if same costs had been used and if so why.

**5.4.2** DHu advised that DH PbR are considering ways to capture the use of potential same costs across a number of data lines in the non-mandatory validations..

### **AOB**

SJB advised the group an update on governance arrangements for reference costs would be brought to the next RCAG meeting. DH is also organising a clinical and financial engagement workshops in early 2013, that will build on the four levels of engagement introduced for 2011-12..

The date of the next meeting is 22 January.

### **Actions**

5.2.1	BS to bring 10 times or 1/10 <sup>th</sup> of the mean validation checks for	BS
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	all RCAG members' final 2011-12 Reference Costs data to the next RCAG meeting.	
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